



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**FOURTH YEAR FIRST SEMESTER EXAMINATIONS FOR THE  
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH  
INFORMATION TECHNOLOGY**

**HOMA-BAY CAMPUS**

**ABA 401: AUDITING PRACTICES AND INVESTIGATION**

Date: 17<sup>th</sup> June, 2017

Time: 9.00 - 12.00 noon

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**INSTRUCTIONS:**

- Answer question ONE and any other THREE questions.



**QUESTION ONE (Compulsory)**

a) Suppose that your company has equity position in a French firm. Describe the conditions under which dollar franc exchange rate uncertainty does not constitute exchange exposure for your money

(10mks)

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b) Discuss the theory of exchange rates

(10mks)

c) Suppose that one year dollar interest rate is 5% and the sterling interest rate is 85% and the spot rate of dollar against the pound is \$ 1.60. Calculate one year forward exchange rate of pound

(5mks)

**QUESTION TWO**

a) Discuss the advantage and disadvantages of licensing as an alternative to FDI

(6mks)

b) Explain the following terms as used in foreign exchange

i. Nominal exchange rate

(3mks)

ii. Spot exchange rate

(3mks)

iii. Currency swaps

(3mks)

**QUESTION THREE**

a) Describe five ways of how International Banks assist multinational enterprises

(10mks)

b) Explain sub accounts in the balance of payment

(5mks)

**QUESTION FOUR**

a) Discuss three strategies for managing exchange rate exposure / risk

(9mks)

b) Explain automatic measures for balance of disequilibrium (6mks)

**QUESTION FIVE**

Exchange rate is simply the price of one currency in terms of another

i. Explain the factors that affect exchange rate

(10mks)

ii. Explain Foreign Direct Investment and Foreign Portfolio Investment

(5mks)

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**QUESTION SIX**

a) Critically examine an arbitrageur and a speculator in foreign exchange markets

(6mks)

b) Discuss the concept of foreign exchange markets

(9mks)